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REPORT ON TRENDS IN INTERREGIONAL TRADE BETWEEN AFRICA AND OTHER DEVELOPING COUNTRIES

INTRODUCTION

1. The eighth and ninth sessions of the Conference of African Ministers of Trade requested the Secretariat to make a progress report on Africa's economic and trade relations with other developing countries. The idea of enhancing inter-regional co-operation and trade among the developing countries is fairly well-entranched historically. It is a theme of growing interest among the countries themselves. The international community in general and the Third World in particular, have already recognized the vital role that ECDC can play in accelerating the economic development of the latter as well as in contributing towards restructuring international economic relations. This interest emanated in part from the desire to find alternative ways of solving certain common economic problems. In particular those which could be resolved through strengthened economic co-operation and collective self-reliance with other developing countries and regions. Needless to say, the ongoing efforts in the area of economic co-operation among the developing countries (ECDC) are to be seen as an integral part of this process.

2. It is with this kind of brief background that this explains why ECDC constitutes a crucial element in many of the adopted subregional, regional or global development strategies. The elements were reinforced with adoption of global programmes which stressed with a view strengthening and enlarging ECDC. In other words, the development and transformation of the economies through the mobilization of mutual resources and markets as pre-requisites to building structures for genuine economic interdependence within the context of South-South co-operation. The Mexico City Programme (1976); the Arushas Plan of Action (1979); and the Carcas Programme of Action (1981) are a clear indication of watershed platforms that underline the importance of co-operation among developing countries as a cornerstone of collective self-reliance. For instance, Mexico City Programme in particular elaborates major guidelines in this field which were further developed in the Arusha Plan and the Caracas Programme of Action.

3. In the meantime, the ECA Conference of Ministers has adopted a number of resolutions stressing the importance of promoting ECDC. They include Resolutions 302(XIII) of 28 February 1977 and 355(XIV) of 27 March 1979 in which empasis is specifically laid on short, medium and long-term aspects of ECDC. Similarly, the eighth session of the African Ministers of Trade during its meeting in Brazzaville in the Congo in October 1985, again drew attention to this theme and took as point of departure, Africa's participation in the Global System of Trade Preferences among Developing Countries (GSTP). It is, partly in response to the above concerns that the present report has been prepared. The aim therefore is to examine the current level and nature of trade flows between Africa and other developing regions. An attempt has been made in this report, besides reviewing the commodity structure of exports and imports as well as determining major possibilities for their expansion, to identify existing obstacles to trade promotion in order to arrive at proposals and recommendations on action which can be taken to facilitate interregional trade flows. It is for this reason also why this particular report draws attention on some strategies and mechanisms of trade promotion which we consider as likely to contribute towards expanding trade and economic relations between Africa and countries of Latin America, the Middle East and those in Asia and the Pacific subregions.

4. Important to note about this report is that it draws heavily on some of the findings in a study prepared by ECA Secretariat entitled "Prospects and Problems of Promoting and Expanding Inter-Regional Trade between Africa and Other Developing Regions" (E/ECA/TRADE/88/21). This is notwithstanding the fact that the analysis mainly embraces trade flows at regional levels. However, the aforementioned study examines a number of individual cases in overcoming the constraints and difficulties associated with non-availability of data. However, the conclusions and recommendations contained in this report provide a useful basis to member countries in formulating their possible strategies likely to bring about the expansion and promotion of trade with other Third World countries.

II. MAJOR DEVELOPMENT AND CHALLENGES FOR SOUTH-SOUTH COOPERATION

5. There is enough documented evidence of considerable progress made in the area of economic integration and co-operation among developing countries over the last two decades. 1/ It is nevertheless important to point out that these relations are still the weakest link in practical terms of international economic relations. Hence the emphasis on the need to strengthen these links within a broader context of self-sustained economic development. A task which in itself is perhaps the biggest challenge that developing countries continue to face. The perspectives for ECDC in the years to come have to be seen against the necessity for structural changes required to spread the industrialisation and transformation of economies of the Third World.

6. There are a number of prominent features in the development expansion, economic and financial co-operation among the developing countreis in the area of trade over the last years. They include among others:

(a) a noticeable decrease in their mutual trade flows over the 1980s which is in marked contrast with the fast absolute and relative growth recorded in the 1970s. For instance in the period from 1981 to 1986, their trade decreased gradually from US$152.3 billion to US$122.2 billion respectively. It was also accompanied by a further decline in the share of this segment in total world trade. 2/ The main contributory factors was the decline in capital surplus of the oil exporting countries. An additional factor was also done to the increase in the foreign exchange difficulties in most of the Third World;

(b)

1/ See UNCTAD "South-South Co-operation. Some Issues in the Field of Trade and Finance." RIS Occasional Paper No. 7, 1986, New Delhi, pp.3-4.

2/ UNCTAD. Handbook of International Trade and Development Statistics. Supplement 1986, New York, 1987

(b) the serious setback experienced by economic integration groupings of developing countries in terms of dramatic fall in trade flows within many of these groupings that occurred during the 1980s. In several cases, member countries reintroduced or even increased tariff rates, quantitative restricitions and exchange control measures, acts which combined to reduce the volume and nature of their mutual trade;

(c) the contraction financial flows to developing countries coupled with serious problems in the operation of certain clearing and payment arrangements, led in a number of cases to the suspension of operations of trade facilitating mechanisms which had been initated with a view to promoting interregional trade;

(d) the continuation of the traditional structures of trade that had not been adopted or not responsive to the particular inter-regional exchanges characterized where food products, agricultural raw materials and mineral ores in their mutual trade still held a predominant role did not help matters. On the contrary, only a handful of the "newly industrialized countries" have been able to make a major breakthrough in export expansion of the manufactures, but the significance of developing countries as market outlets for manufactured products from other developing countries has been on the decrease. Hence, developing countries mostly act not as interdependent suppliers of manufactured goods but rather as competitive exporters to the developed markets.

7. However, the situation given above need not imply the lessening of efforts aimed at enhancing the ECDC process. For one thing, the initiative represented by GSTP indicates a commitment by some developing countries to give practical effect to realizing the goal of expanded interregional trade relations. These negotiations have led to implementing the scheme. This was notwithstanding the fact that a number of issues still require particular caution and have yet to be fully resolved. For instance, as regards the coverage of products, the spread of benefits among the participants or the link between trade and payments because of trade imbalances which are likely to result from the GSTP trade liberalization measures.

8. In this regard it is noteworthy that as the experience of various economic integration and co-operation groupings of developing countries shows, while reduction in tariff and non-tariff protection may lead to some increase in mutual trade, it has been found in many instances that these measures alone can not overcome all the obstacles to expanding trade among developing countries. Hence the call for complementary measures. In particular, cooperation in production and joint ventures, as well as monetary and financial co-operation and improvements in economic infrastructure have been stressed as crucial elements to sustain expansion of such trade. Naturally therefore, this analysis reiterates the need of strengthening and reviving clearing and payment arrangements among the Third World countries and also calls for real transformation of their economies if they are to attain a greater degree of complementarity.

III. CURRENT TRENDS IN TRADE AND ECONOMIC RELATIONS BETWEEN AFRICA AND LATIN AMERICA, MIDDLE EAST AND ASIA

9. On the basis of the data compiled in the studies mentioned above which the Secretariat undertook not too long ago, it was observed that trade links between Africa and other developing regions started to expand significantly from the beginning of the 1970s and continued to grow all through the decade. This trend coincided with the general boom in the world trade. On the contrary, the same could not be said for the early period of the 1980s because the trend was reversed and gave way to a certain decline. The current situation of Africa's trade exchanges with Latin America, Asia and Middle East is thus as follows:

(a) The Overall Volume of Africa's trade with other developing regions has been on the decline since 1980 that was when the peak was attained in terms of regional and export/import structure breakdown, a more diversified picture emerged since the most pronounced contraction occurred in Afro-Latin American trade flows. On the other hand, trade with Asian countries stabilized around the 1980 level. Moreover, the decrease was more significant on the export side, where the downward movement compared unfavourably with the continued growth of imports from the Middle East and Asia, albeit at a slower rate than during the preceding years;

(b) Commodity composition of both African exports and imports did not change much in the course of the 1980s. Exports of African countries continued to dominate by crude oil which even in Afro-Asian trade is the largest single product category although agricultural products also play an important role in trade with Asian countries. It has to be stated that no substantial progress was recorded concerning African manufactures exports. However, the region's import spectrum presents a strinkingly different scenario, characterized by a much more diversified structure. This is the case for Asian exports to Africa where the share of manufactures was as high as 83 per cent in 1986. 3/

(c) Imbalanced nature of Africa's trade with other developing countries is yet another negative aspect that only accentuated during the period 1980-1987. Africa's overall deficit in trading with other developing regions reached over US$4.5 billion in 1986 resulting mainly from the inability of African countries to counter-balance fuel imports from Middle East and the purchase of manufactured products from Asian countries with any goods other than crude oil exports. Only in the case of Latin America trade was Africa's trade balanced largely due to considerable shipments of petroleum. However, a country-by-country analysis reveals that this is only true for a few oil-exporting African countries;

3/ United Nations, Monthly Bulletin of Statistics, New York, 1988, Vol. XLII No. 5, May 1988.

(d) Insignificant relative importance of trade flows between Africa and other developing countries in their respective overall trade volumes can be illustrated by the following figures. For instance, exports to Latin America in overall African exports accounted for only 3.0 per cent of the regions total exports in 1986. Similarly, the share of Latin American partners in meeting import requirements of the African region stood only at 2.5 per cent in the same year. What this demonstrates is the fact that trade between these regions continues to be geared towards traditional markets, rather than among themselves inspite of the letter and spirit of the ECDC platform to which this paper referred to a little earlier.

IV. MAJOR CONSTRAINTS IN PROMOTING INTERREGIONAL TRADE BETWEEN AFRICA AND OTHER DEVELOPING REGIONS

10. The major problem identified in the area of Africa's trade with other developing regions is that of the lack of exportable surplus apart from fuel commodities. Hence, there is a pressing need for African countries to develop their production, and subsequently, export potential for semi-manufactures and manufactures. To attain this goal the region has to set in place appropriate development and diversification strategies. Many of which have to a large extent already been outlined in various African forums. These include the Lagos Plan of Action (LPA), Africa's Priority Programme for Economic Recovery (APPER) and also as part of Africa's Alternative Framework for Structural Adjustment Programmes (AAF-SAP).

11. Needless to say, the problem of expanding African exports can only begin to be solved through creating or strengthening industries that are capable of generating sufficient exportable surpluses. There is a real danger that without such corrective or remedial measures, it will be futile to expect any substantial improvement in the existing pattern of African external trade. List differently, resolutions no matter how eloquently, and well drafted will not on their own, without practical action being taken, lead to expanding interegional trade.

12. Beside problems related to inavailability of sufficient quantity of exportable goods, there are a number of other equally important constraints in the sphere of distribution which must also be briefly highlighted:

(i) Tariff and non-tariff barriers

Tariff and non-tariff restrictions and the way they applied against products exported by African countries and those from other developing regions, constitute impediments to the smooth expansion of interregional trade. On the whole, the way the developing countries formulate and apply trade policies show a much higher level of protectionism than is the case in their trade with the developed countries. Such situation is further aggravated by higher tariff rates in developing countries for products traditionally exported by their partners from other developing regions as compared to lower tariff protection enjoyed by exports of developed economies. This objectively leads to a bias in favour of trade with the developed countries.

(ii) Financial constraints

Other problem areas emanate in the area of monetary and financial relations, particularly the lack of supportive institutional framework in this field. The expternal debt situation faced by most developing countries has compelled many of them to restrict access to foreign exchange allocation to local importers, thereby curtailing trade flows between Africa and other developing regions. The same is true by the countries of the other regions. Hence the absence of a system of international settlement for commercial transactions on an interregional basis specifically geared to support ECDC and when clearing arrangements are almost exclusively confined to subregional trade, is an impediment to trade exchanges among the developing regions. The same is true about the lack of export credit and export insurance schemes. Where these sectors exist in the other developing regions of Asia and Latin America, rarely are African export beneficiaries.

(iii) Institutional deficiencies

If there is one prominent obstacle in this area, that of the lack of efficient and adequate transport and communications networks, tailored to serving the needs of interregional trade between Africa and other developing countries is one. The situation is further exacerbated by the underdeveloped state of internal transportation systems, particularly in the African region. Poor port facilities and occasional surcharges which result in high handling costs and up to diminishing the competitiveness of African exports in non-traditional markets of other Third World countries.

V. MAJOR PROSPECTS FOR EXPANSION OF TRADE BETWEEN AFRICAN AND DEVELOPING COUNTRIES OF LATIN AMERICA, MIDDLE EAST AND ASIA

13. The current situation where the African continent is not capable of producing insufficient quantities not only to export, but also to satisfy its domestic demand, calls foremost for restructuring and transformation of the production base to be undertaken urgently in order to improve the overall economic performance. Similarly, to permit external trade to develop in a more balanced manner. Available data suggest that a large number of African countries have embarked on this road, having adopted policy reform measures as advocated in APPER and UN-PAAERD.

14. Even if the structural adjustment and transformation are yet to bear fruit, in future, yet there are still prospects for trade expansion with other developing regions in the short-term based on existing trade flows. Thus, having been said, it must also be pointed out that the many impediments show that the situation is only very promising in respect of traditional African export products: cocoa, coffee and other agricultural products as well as various mineral products. This is mainly because Latin America and also the Asian countries are themselves important producers and exporters of these items. Over and above both regions are relatively advanced in both the development and acquisition of modern technology.

The best prospects exist in such area as manufactures, crude fertilizers, rubber, aluminium, essential oils, certain fresh fruits and vegetables, timber and ready made textile articles as possible trade items with Latin America. 4/ In respect of Asian markets on the otherhand, it is also possible to say that the most promising and yet greatly unexploited area for the expansion of African exports is offered by manufactures of certain lines. For instance on a joint venture in producing and exporting on a buy-back basis textiles, iron and steel and manufacturing of machine tools.

15. Regarding trade with the Middle East countries, comparative studies carried out on supply and demand situation in both regions tend to suggest that exports of agricultural and agro-based industrial products have the biggest potential for exports from the African region. According to one of the studies carried out by UNCATD, 5/ import requirements of Middle East countries have undergone substantial changes in the past ten years. It has thus been shown that imported products have to meet certain specific quality standards. And while African countries' exports a are predominantly in crude form, the analysis of imports into the Middle East reveals that products are mainly processed or semi-processed. The study observes further that a degree of processing is necessary to enable the African goods to penetrate this particular market which would only be possible were Arab investors to help in creating such industries in the African continent. However, selling missions conducted for African businessmen, and houses under the auspices of ECA to the Middle East should African manufacturers were of very high and comparable quality. They were also preferred by importers in the Middle East except that they were a little too expensive and Africa had not yet perfected its marketing system.

16. The following subsectors can be identified as meriting action for joint projects aimed at creating export flows from Africa into the Middle East.

(a) the export of livestock and fresh and preserved meat;
(b) preservation of fish;
(c) fresh and preserved fruit and nuts;
(d) sugar; coffee, cocoa and tea;
(e) spices;
(f) animal feeding stuffs;
(g) tobacco;
(h) hides and skins;
(i) leather products;
(j) oilseeds;
(k) crude rubber;
(l) wood and wood products;
(m) cotton yarn and textiles; and
(n) vegetable oil.

4/ United Nations. Africa and Latin America: Perspectives for Interregional Co-operation, March 1985, pp. 44-53 and 80-81.

5/ UNCTAD. Trade Promotion between Arab World and Developing Africa, 1970-1981, UNCTAD/ST/MFD/1, March 1985, p. 152.

Additionally also, prospects exist for a number of mineral exports from African countries since the present policy of developing energy-intensive industries within the oil-exporting countries in the Middle East holds promise for African exporters of bauxite, copper and iron ore. It should be feasible in the light of the above to link project development loans with long-term procurement contracts for each Arab project likely to utilize inputs from African countries.

17. Some of the recent action undertaken by representatives of African and Arab states during the ninth session of the Standing Commission for Afro-Arab Co-operation in Ouagadougou in December 1988 can be interpreted to mean that the action taken by are in the right direction. In particular, since a joint Ministerial Afro-Arab Conference was proposed to be convened before the end of 1989 for the purpose of considering practical modalities for the promotion of trade and investment in the countries of the two regions. Among the proposed measures are:

(1) elaboration of a draft framework for the establishment of an Afro-Arab Preferential Trade Area;

(2) supply and demand studies with a view to formulating a list of products for which concessions could be exchanged;

(3) formulation of a draft framework agreement for the guarantee of investments and preparations for an investment forum for Arab and African businessmen and investors aimed at promoting joint ventures both in the production and trade spheres. 6/

VI. RECOMMENDATIONS ON POLICY MEASURES TO PROMOTE TRADE FLOWS BETWEEN AFRICAN AND OTHER DEVELOPING REGIONS

18. One of the guiding principles in formulating recommendations on measures to be considered by African countries as regards promoting interregional trade, was that intra-regional trade and economic co-operation are an essential phase and a pre-condition for effective expansion of commercial exchanges with other developing countries. Consequently, emphasis at this particular time ought to be placed on strengthening some of the existing integration groupings and preferential arrangements at subregional as well as at regional levels within Africa. There is ample evidence that specific preferential climates within the economic integration groupings favour faster growth of manufacturing sector. This explains the high correlation between exports of manufactured goods and the level of intra-regional trade since the higher the level of the latter, the greater the potential of the region to develop its production capabilities and, consequently, to promote exports to other regions.

6/ Report of the Ninth Ordinary Session of the Standing Commission for Afro-Arab Co-operation, Ouagadougou, Burkina Faso, 7-9 December 1988, OAU/LAS/ST,COM./RAPT.RPT(IX) Rev. 2

19. Of course, reinforcing intra-subregional co-operation is not implied exclusion of possibilities of introducing certain measures aimed at increasing interregional trade. Mention is already made to some of the problems of developing such trade, at least in two basic categories. The first of these relates to the stage of production. The bone of contention is a need for expansion and diversification of supply of exportable products. Some of the recommended measures include encouraging investment into expanding the production sector from other developing regions, and in particular the Arab countries of the Middle East. 7/ This objective can be attained through establishing investment guarantees to protect potential investors from non-commercial risks, including the absence of the point of nationalization. Similarly, concessional regimes for the investors in the form of exemption from customs duties on production machinery and equipment, exemption from income taxes for the initial period of operation. Such preferential investment climate should among others aimed at encouraging joint ventures along the lines practiced by Brazil's example in several African countries where enterprises with different forms of capital participation involve not only public capital of the host country but also private investors and third countries.

20. The second set of measures focuses on trade support and facilitation mechanisms which include the following:

(a) Trade policy measures

It will have to be realized that the package of recommendations would include the need of creating preferential trade regimes between African and other developing regions. In other words, reciprocal lowering of tariffs and dismantling other non-tariff restrictions, albeit in respect of a limited number of products taking into consideration their different levels of development of the respective partners. Naturally, these measures will have to be considered as part and parcel of framework agreements on boosting complementarity among the developing countries along with guidlines for the establishment of joint ventures and other forms of economic co-opeation.

(b) Monetary and financial arrangements

Besides the need for a more liberal regime of financing commercial exchanges between Africa and other developing countries, the creation of multilateral clearing arrangements for such trade could also be conducive to simplifying and facilitating interregional transactions. The proposed clearing mechanisms will make it possible to optimize and economize the use of foreign exchange reserves and foster a more economical utilization of central banks' resources; provide short-term credit for immediate clearing purposes and enhance co-operation in monetary issues. This objective can be attained by linking the existing subregional and regional clearing houses in the different continents which would gradually cover selected product flows. Similarly by improving credit facilities as well as greater co-operation between respective regional financing institutions including development banks, it would greatly facilitate the processing of promoting interregional trade.

7/ As proposed by several experts, among them Karl Lavrencic in "Afro-Arab Partnership for Development", BADEA, 1985, P. 123.

(c) Trade promotion mechanisms

One of the many identified bottlenecks in the area of interregional trade is the lack of comprehensive information necessary to enable both exporters and importers to make reasonable decisions regarding export and import possibilities. Contacts between African on the one hand, with Latin American or Asian companies or between trading enterprises on the other hand, as well as information on demand and supply situation is very difficult to come by. Hence, the need to develop reliable trade information systems. This is the area where greater use should be made of the channels established by respective Chambers of Commerce that would be capable of further reinforcing closer co-operation between these groups of countries and regions.

(d) Role of state trading organizations

The role that state trading organizations might play in attaining the objectives of expanding interregional trade between African and other developing countries is already evident in the light of the analysis in preceding paragraphs. These enterprises are strategic as important buyers with all the pre-requisites for negotiating favourable terms in purchasing and selling products on behalf of their respective countries. In many instances, they could link their purchases with the sale of certain quantities of goods offered by national production units, perhaps on the basis of counter-trade arrangements or barter transactions.

(e) Transport and communications aspects

There is an urgent need to adopt a strategy aimed at efficient utilization of existing cargo space in a package with other export promotion measures. Such strategy should focus on establishing reliable transportation systems in inter-regional trade based, among other things, on using national carriers of all the participating countries. Similarly, the development of various direct communication services like telecommunications is required since these are vital in supporting the movement of goods and services.

VII. CONCLUSIONS

21. There is sufficient evidence regarding many of the dangers that arise with continued reliance on traditional structures particularly because it perpetuates Africa's economic problems. Similarly, in the say it stands against achieving the objectives of promoting trade and economic relations of the continent with other developing regions as non-traditional partners. Efforts to correct this situation characterized by dependence on markets of the developed economy countries were emphasized in Africa's Priority Programme for Economic Recovery 1986-1990 and the United Nations Programme for Action for African Economic Restructuring and development, 1986-1990, and most recently, in the Africa's Alternative Framework for Strucutral Adjustment Programmes. All the above documents acknowledge that the cornerstone of the efforts to be taken is economic restructuring based on agricultural development linked to industrialization programmes

where the objective is meeting first and foremost, local consumer needs. Therefore, the most urgent task is achieving a measurable degree of restructuring required to diversify and expand exports of African countries.

22. Against this background, the political will enunciated in the Arusha Declaration, the Mexico City Programme, the Caracas Programme of Action ought to form a basis for taking the required action and for initiating strategies for real collective autonomy among the developing countries. Such strategies should invariably ensure that the African countries start playing a more significant role as producers and exporters to other developing regions. This is particularly important in the light of dangers that could emanate from breaking up the solidarity of the Third World if other developing countries fail to realize that some of their practices are relegating the less developed among them to be perpetual suppliers of primary commodities, and that this is a kind of neo-colonialism.

23. It is not without reason therefore, that the former Tanzanian President Julius K. Nyerere, during the Third World Lecture in New Delhi on 22 February 1982, reiterated that "South-South co-operation cannot be developed along the pattern of past North-South interactions... If, within the Third World, those with advantages seek to exploit the weaker ones, then we shall simply repeat, among ourselves and at a lower level, the kind of dependency imbalance which now ex exists between the South and the North... The result of such practices would be the gradual build up of mutual resentment and a further division - perhaps between the Third World and the Fourth World - to the disadvantage of us all." 8/ This observation was not intended to suggest that assistance to African countries from other, more developed, Third World countries should be pure charity. On the contrary, it is the possibilities of mutually beneficial co-operation that is being emphasized as a basis for enhancing economic and trade relations combining various production factors and comparative advantages of individual countries from all the developing regions.

24. The basic background documents prepared by ECA, some with the help of outside consultants coverage on what needs to be done. What is needed at this particular moment, is a fresh boost to ECDC in order to initiate real and practical action in this field. The rationale among others is to reverse in part, the continuing situation when a number of factors still tend to favour North-South economic links and act as barriers to the growth of intra-developing country trade flows, especially such as the role played by transnational corporations. Furthermore, the endemic balance-of-payments difficulties faced by most developing countries and their reliance on financial institutions in the developed industrialized market economy countries for capital inflows and balance-of-payments support, irrespective of tied aid conditions and other forms of economic pressure exerted by the latter. Moreover, it should be stressed that current industrialization and

8/ Julius K. Nyerere, "South-South Option", the Third World Lecture, in South-South Strategy, Altaf Gauhar, ed., Third World Foundation, London, 1983 p. 15.

trade policies in the developing countries themselves tend to discriminate against trade with other developing regions. The most striking example in this respect is that of higher tariff protection for consumer goods and processed agro-based products exported by developing countries as compared to export products of developed states.

25. It is in the light of the above also that developing countries should redouble their efforts if they are to change and adapt those underlying factors that hinder the growth of trade among them. In certain instances, important initiatives have already been undertaken by developing countries with a view to providing the necessary infrastructural and institutional framework for promoting trade among the developing regions. However, most of the efforts are currently channelled towards reinforcing integration schemes at subregional or regional levels. Notwithstanding that, such efforts ought to be the building blocks in achieving the global objective of creating the structure of trade expansion among the developing countries. This is what gives the recently lauched GSTP added significance.

26. Of course, the task of constructing a system of trade preferences among the developing countries is a complex and difficult one, given the vast diversity of their economic structures and levels of development. This exercise is especially painstaking for African regions since a majority of the countries do not anticipate any substantial gains from GSTP in the short and medium-term due to the underdeveloped industrial base. However, conventional wisdom underlines the fact that there is no alternative to establishing such mechanisms in promoting mutual trade. Extending trade preferences beyond the boundaries of subregional groupings could allow for reaping greater economies of scale thereby facilitating the creation and expansion of industries in participating countries. Consequently, the global preferential arrangements should be linked to measures aimed at facilitating the financing of intra-developing country trade and exploitation of opportunities offered by joint ventures. Hence, the African region should view these mechanisms as an additional way of developing the production potential.

27. Joint ventures among the developing countries promise better prospects and are likely to be the most dynamic segment in ECDC. They can be a very useful instrument in stimulating and expanding interregional economic relations and trade flows. This usefulness is also explained by the possibility existing in terms of combining technical expertise and capital resources of the capital surplus countries or those with significant know-how potential, with resources of other participating countries. This is a pre-requisite to establishing agricultural and industrial projects aimed at benefitting all the parties involved in their execution.

28. A number of opportunities for such joint projects with African participation on one hand, and Latin America, Middle East and Asian countries, on the other, can no longer be doubted in the light of the preceding analysis. This type of co-operative action is most suited for both the capital surplus developing countries suffering from substantial food deficits and those with good agricultural potential but lacking the necessary capital resources to improve their present low

productivity. Joint projects in this area could involve arrangements under which repayments could be envisaged in the form of food supplies, a feature that could be quite attractive both in respect of increasing the element of collective food security and in facilitating repayments. There are also several possibilities for joint investment projects in other areas that offer important opportunities for linking up the needs of various developing countries. However, these are only able to bear fruit where supportive measures are put in place in order to encourage their establishment, especially during the initial stages. Such measures could include relaxing on mutually agreed basis the administrative, fiscal, financial and commercial constraints and granting various concessions like relaxed tax regimes etc.

29. Needless to say, important changes will be needed to the trading infrastructures in particular in order to cope with the present pattern of dominance of developed countries in external trade of the developing regions. Similarly, to bring about a relaxation of the dominant role of transnational corporations in the marketing and distribution of primary commodities and manufactures exports by developing countries calls for concerted action on their part. Over and above, the same impetus will need to be given to effective co-operation among State Trading Organizations in the field of promoting practices of joint market interference.

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17-18 November 1989

MECHANISMS FOR DIVERSIFYING COMMODITY TRADE INCLUDING POLICY OPTIONS TOWARDS PROCESSING AND INDUSTRIALIZATION IN AFRICA

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ANNEX

I. INTRODUCTION

1. Attempts have been made from time to time to find resolutions aimed at improving the contribution of primary commodities in the context of developing African economies. At the Fifth Session of the United Nations Conference on Trade and Development (UNCTAD) in 1979 the international community adopted resolution 124(V) calling for the implementation of the Integrated Programme for Commodities (IPC). The resolution stressed in particular processing, marketing and distribution. It also recognized the need for greater participation by the developing countries in local processing as well as in transportation and distribution of their commodities within a wider framework of international co-operation.

2. The desire to diversify African primary commodity exports in terms of production and direction aims, among other things, at improving the terms of trade since it promises to eliminate the countries' economic imbalances within their respective structures but also that which exists between developed and developing countries. Particularly since it results from excessive price fluctuations of raw materials and commodities. Thus, a diversified export portfolio would offset fluctuations in the exports of other commodities.

3. There have been numerous studies relating to processing of individual commodities conducted by UNCTAD, the Food and Agriculture Organization of the United Nations(FAO), and ECA targetting specific or individual commodities of export interest to African countries. On the contrary, despite these efforts and the recommendations thereof, progress towards implementation has been rather disappointing and signs of improvement to the commodity problems have not materialized. This same concern was repeated in the Final Act of UNCTAD VII. It reiterated the importance of horizontal and vertical diversification of commodity trade as a better strategy for economic development for most developing countries. It also called for increased participation by developing countries in processing, marketing and distribution of their commodities as a long-term developmental objective. It also stressed the fact that the strategy required international co-operation as well as intensified cooperation between producers and consumers. As a matter of fact during the African countries' meeting preparatory to UNCTAD VII (Doc. E/ECA/TRADE/79) discussions focussed attention on ways and means of assisting in the exercise of diversification through processing, including improvement of information flows to aid investment decisions and technical co-operation projects and programmes.

4. In the meantime also the same expression of concern had been incorporated in the United Nations Programme of Action for African Recovery and Development, 1986-1990 (UN-PAAERD). It emphasised nurturing agro-based industries in order to diversify and increase the capacity of African countries to process, distribute, market and transport their primary commodity exports.

5. This study therefore examines some of the ways and means for processing of African primary commodities as part of an objective for diversifying commodity trade. The sections of the paper apart from the brief introduction are devoted to the importance of the commodity sector in the African economies, an examination of likely options for transfering technology to Africa, especially in food processing, a few policy options and mechanisms for diversifying Africa's commodity and market composition and a brief summary giving some recommendations.

II. THE COMMODITY SECTOR AND AFRICAN ECONOMIC DEVELOPMENT

(a) Commodity structure in Africa

6. Africa's economic backbone has been and will continue for quite sometime to be its primary commodities. Thus, their exploitation is also likely to continue to come to play the same role in the future. It is against this background that consideration of prospects for Africa's economic recovery, growth, investment and development in the contemporary world hinges. The development of trade in the majority of African economies is characterized by at least two important elements. First, high dependence on the export of one or two primary commodities. Over 80 per cent of combined export earnings excluding oil are generated by a few commodities. Second, rapidly growing importance of consumer and capital goods are imported. Africa's imports are relatively higher than its exports with the result that the region suffers continued chronic adverse balance in the terms of trade.

7. The dependence of many African countries on one or two export commodities is most glaring. For instance, coffee represents about 90 per cent in Burundi, cocoa about 70 per cent in Ghana, sugar about 65 per cent in Mauritius, copper more than 90 per cent in Zambia. In the following other African countries, more than 90 per cent of export earnings come from less than three commodities: in Chad (cotton and live animals), Mauritania (iron-ore and animal feed). What is similarly important also is that it is these products which have experienced a general decline in their prices and therefore the resulting severe drop in export earnings for the exporting countries.

8. Africa's trade structure in Table 1 shows that for the period 1980-1986 primary commodities played a dominant role. Primary commodities 1/ accounted for about 92.8 per cent in 1980, about 91 per cent in 1984 and 90.8 per cent in 1985. This is in direct contrast to 1986 when the share dropped to 84.0 per cent. The trend of developing Africa's trade and structure to the developed countries is shown in table 7. It is also obvious that commodity structure has been dominated by mineral fuels and related materials for some time. Its share rose from 37.8 per cent in 1970 to 66.0 per cent in 1975, 2/ and 75.6 per cent in 1980, but declined to 69.8 per cent in 1985 and 57.1 per cent in 1986. Those consisting of food, beverages and tobacco (SITC section 0+1) occupied first place in the 1960s, but dropped into second place after the 1970s. Thereafter the share declined from 24.5 per cent in 1970 to 13.8 per cent in 1975, to 9.0 per cent in 1982, rose to 12.0 per cent in 1985 and to 18.7 per cent in 1986. Export value of oils, fats and other crude materials excluding fuels(SITC sections 2 and 4) continued to decline since 1970 from 18.5 per cent in 1970 to 13.0 per cent in 1975, and to 7.3 per cent in 1980, a slight increase to 8.3 per cent in 1985 and again

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1/ Conventionally defined to include SITC sections 0, 1, 2, 3 and 4. (SITC = Standard International Trade Classification)

2/ See Annex, Table 7.

down in 1987 to 7.3 per cent. Exports of other manufactured goods (SITC sections 6+8) which accounted for 18.0 per cent in 1970, declined to 6.2 per cent 1975, to 5.1 per cent in 1980, but rose slightly to 6.7 per cent in 1985 and to 10.6 per cent in 1986. Exports of chemicals (SITC section 5) and machinery and transport equipment (SITC section 7) were relatively insignificant in comparison to the former categories.

9. Total African exports in value terms declined from US$94.9 million in 1980 to US$63.1 million in 1984 to US$50.4 million in 1985 and to US$48.2 million in 1986 except for slight rises in 1987 to US$52.2 million and to about US$56.4 million in 1988. The percentage share of developing Africa's exports in world trade reached its lowest levels between 1985 and 1988. The main element as earlier indicated, is the very high proportion accounted for by primary commodities. This, therefore, implies among others, a low level of processing and manufacturing in Africa.

10. Africa's import structure on the other hand, consists less of primary commodities. The total value of Africa's imports in 1985 was US$60.7 millions, US$62.1 million in 1986, US$66 million in 1987 and about US$70 million in 1988. Although imports grew in absolute terms, relative share in world trade declined from 3 per cent to 2.3 per cent between 1985 and 1988. This does not in any way reflect Africa's increased self-sufficiency, rather, it was due to serious import strangulation caused by export earning shortfall and the withdrawal of private banks from lending because of Africa's worsening debt situation.

11. Directional trade flows of the African region is the subject of Table 3. The predominance of the European Economic Community (EEC) both in export and import terms is very evident. Despite certain signs of decline in the 1980s it still accounted for 74.7 and 71.9 per cent in 1986 and 1987 respectively for Africa's exports on the one hand, and 72.2 and 70.8 per cent for imports on the other hand. Africa's trade with the socialist countries of Eastern Europe is relatively small, and has been declining. It declined from 5.8 in 1986 to 5.3 per cent in 1987. While trade with other developing countries seems not to change much in the period in question, intra-African trade is one other aspect of the region's concern.

12. The issue of diversification concerns both the region's export commodity composition which is dominated by primary agricultural and mineral products and the structure of imports. This structure has had a negative impact on the domestic market mainly because commodity prices for exports have been depressed while those of imports have increased much higher than the increase in production costs. Some of the consequences at the national level was a decline in domestic production, creating domestic scarcities which tended to raise the marketing prices, especially since demand tends to exceed supply. Another adverse effect is increased unhealthy dependence on the external sector. Some of these trends undermine the adoption of appropriate technological innovation and therefore

deny domestic producers necessary income for investment growth which would have enabled them to overcome their economic crisis. Africa's urge to diversify its trade patterns stems,among others,from these disappointing trends in commodity trade and because the majority of the economies are heavily dependent on the commodity sector which is narrowly confined.

(b) Importance of the commodity sector in the African economies

13. The foregoing brief account confirms the view that in no other region of the world is the pace of economic growth and development more dependent upon the performance of its commodity sector than in Africa. Commodities are of vital importance to African economies. It is the main domestic activity. It also offers great employment opportunities to more than 75 per cent of the active labour force. Trade in commodities is Africa's main source of foreign exchange earnings, essential for their various development activities. The greatest share of government budget revenue is derived from commodity trade in the form of taxes and dividends. Borrowing capacity and ability to service external debt hinge around commodity trade since for most countries the export sector accounts for up to 60 per cent of their Gross Domestic Product. However, African countries have limited viable alternatives in their efforts to achieve recovery, growth and development through commodity trade. Because many of the alternatives offered to commodity trade problems can only be viable if the necessary structures are also changed. Similarly, all other sectors such as transport including the exploitation of commodity products are interlinked.

14. These are some of the contradictions which partly explain why the African countries now find it increasingly difficult to feed themselves. It emanated in part from the rigid structures and continued dependence on export of primary commodities. In particular, reserving the best land to producing export products but without providing for needed raw material inputs for local industrialization. Consequently, developments surrounding international trade in commodities have a direct bearing on daily life of African populations apart from influencing to a large extent their economic prospects.

15. The persistent decline and instability of prices and earnings from commodity exports as given in Table 5 has resulted in prolonged stagnation and slump in Africa's trade. Perhaps the impact of commodity price crisis on the African economies has been more clearly manifested in the indebtedness which now stands at about 36 per cent of Africa's Gross Domestic Product. Such developments have accentuated the ability of African countries in dealing with pressing problems of servicing debts, implementing economic programmes and creating jobs. The general contraction of economic activities in the industrialized countries between 1980 and 1987 considerably contributed to the general decline in demand for primary commodities. Furthermore, technological innovations producing various synthetics and substitutes have limited chances for the expansion of exports of a number of commodities. The restrictive measures in the international markets manifested through quota restrictions, tariffs and non-tariff measures, coupled by the subsidized of production of uneconomic agriculture products that compete with Africa's products in the markets have also contributed to depressing export volumes. It is clear on the basis of information provided above, that unless Africa intensifies its efforts to diversify its trade, commodity

exports are likely to continue to earn relatively less in the world markets.

(c) Review of problems in the area of commodity trade, including STABEX

(i) Major problems in the area of commodity trade

16. The collapse of commodity prices since 1980 is a result of many factors. Not least of these include stagnation or decreased demand in the export markets, continued competition and/or displacement of natural products by synthetics or substitutes coupled with some of the adverse effects of trans-national corporations in commodity trade and increased self-sufficiency by the developed countries through subsidized local production of agricultural commodities. These are some of the many problems facing commodity dependent African countries.

17. The difficulties created for developing Africa by declining terms of trade, deteriorating market access for primary commodities and increased debt service payments serve to highlight the extent to which developments in Africa depend on structural transformation of trade relations. Not only do they pose a serious potential threat to Africa's development but their adverse effects go to show that commodity problems require bold action which cannot be taken at national levels alone. What is not, however always clearly under-stood, or fully appreciated is that in an interdependent world, the problems of Africa, if allowed to remain unresolved, could seriously rebound on the developed countries themselves. Paradoxically, interdependence has only served to transmit economic shocks from industrialized countries into Africa.

18. The dominant role of TNCs in production, marketing and distribution of primary commodities exerts great influence on prices. Their activities cover a whole range of minerals aluminium, alumina, asbestos, bauxite, cobalt, chrome, iron, manganese, steel, zinc, gold, diamonds, copper, coal and petroleum. 3/ TNCs are capable of manipulating the market structure including the use of commodity exchanges, ensuring that a large share of benefits derived from trade in raw materials accrue to them, to the detriment of producing countries.

19. Protective measures introduced by the developed countries have had a highly negative effect on Africa's commodity trade. The emergence of the new measures both tariff and non-tariff, has actually challenged the General Agreement on Tariffs and Trade(GATT) system, because of the increasing extent to which they become discriminatory and selective in their application. A worse situation emerged when protectionist policies were further accompanied by massive support measures for domestic producers of agricultural products. For instance, domestic production in the European Economic Community has generated large surpluses that place products exported by Africa at great disadvantage. In the meantime, and as a result of protection and subsidized production, the EEC has become a large exporter of products such as sugar,

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3/ See UNCTAD, Trade and Development, No. 4, 1982.

beef and dairy products. Other African exports have also been ousted from markets of other developed and developing countries because of the use of variable import levies and variable export subsidy. 4/ This powerful and flexible measure negates comparative advantage which Africa was assumed to possess. The variable export subsidy permits high cost domestic surpluses to be exported at a price low enough to compete with commercial supplies from low cost regular exporters to any market.

20. There is hardly any major agricultural product in which developed countries do not compete with developing countries. Furthermore, the world market is undermined or distorted by subsidized exports or concessional sales from the stock piles of surpluses accumulated by the former. To understand the extent of agricultural protection in the industrialized countries, it may be necessary to quantify its dimension. During the last four years up to 1985 according to data available, it was estimated that the United States 5/ and the EEC 6/ had spent about $60 billion on farm and agricultural support programmes. Japan on the other hand spent about $51 billion between 1980 and 1983. 7/ The situation was made worse because of the deflationary measures undertaken by developed countries since the end of 1970s.

21. Substitution of natural products by synthetics and other substitutes considerably changed the demand patterns for natural products in the markets of the industrial countries. In the meantime, prices of all those agricultural and mineral products for which substitutes have been introduced are dwindling. Technological innovation used to produce raw material saving-devices have also led to a drop in the amount of raw materials imported per unit, thus accentuating competition between natural materials and newer products. These innovations give new products further competitive advantage in terms of altered designs of product, increased material strength and durability, reduced waste and recovery of a greater volume of recyclables.

(ii) Stabilization of export earnings

22. The question of stabilizing or compensation for shortfalls arising from the collapse in commodity prices has been a subject of negotiations in numerous international fora. The main mechanisms consist of reduction of tariffs and non-tariff barriers, improving the international environment for commodity trade and strengthening marketing arrangements. Consequently, the current trade negotiations within the context of the Uruguay Round and its putting forward

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4/ See, "Protectionism threat to International Order" Commonwealth Secretariat, D.C., 1982, P.88.

5/ See Economic Report of the President, United States Government Printing Office, Washington, D.C. 1986, P.130.

6/ See Commission of the European Communities, The Agricultural situation in the Community, 1985 Report, Brussels, Luxembourg, 1986.

7/ See A.J. Anjarika, N. Kirmani and A.B Petersen, "Trade Policy Issues and Developments", Occasional Paper, No. 38, IMF Washington D.C. 1985.

several proposals calling for reduction and eventual elimination of tariff and non-tariff barriers on exports of tropical products by developing countries is part of the continuing exercise. 8/ The suggested reforms of trade in agricultural products aim to restore competitiveness of agricutural products in the world market from being distorted by a variety of barriers. These include the elimination of all domestic agriculture price support schemes. 9/

23. The international community has given a lot of attention to the establishment of commodity stabilization schemes, including inter-alia the establishment of international producer-consumer agreements (ICA) in order to help stabilise the export earnings or/and prices of particular commodities. They include arrangements for sugar, coffee, tin, cocoa, rubber, jute, timber and olive oil. Some have performed better than others. However, their general responsiveness to many of the problems faced by the African countries does not give much room for optimism in stabilization or guaranteeing remunerative prices for most exported products. One of the main causes for this emanates from the divergence of interest between sellers and buyers and what each side considers should constitute a reasonable price range. In addition, major consumer countries have been reluctant to enter into meaningful negotiations with regards to regulating the market in order to stabilize prices for commodities of export interest to developing countries. Perhaps this is because of the practice of subsidising domestic agricultural production that ensures stable incomes to their farmers, even at the expense of distorting world market prices. Similarly, they continue with their problems of stock-piling those very commodities which their economies originally imported from developing countries, as if unaware that such actions have adverse and disruptive effect on prices of these commodities.

24. Consequently, actions of institutions like the International Monetary Fund in setting up compensatory financing schemes, principally to offset the effects of unexpected shortfalls in export earnings of commodity exporters were a step in the right direction. Its Compensatory Financing Facility (CFF)provides additional financial support to countries experiencing balance of payment problems for shortfalls in export earnings on a temporary basis. The Extended Fund Facility and Buffer Stock Financing Facilities of the IMF on the other hand address the issue of instability effects that arise from export earnings and the impact on the balance of payment of a country. Some of the difficulties however emanate from the fact that these schemes are not quite responsive to the needs of commodity exporters. In particular some of the lending policies fail to take into account, commodity-related problems of instability.

25. Efforts to stabilize commodity export earnings under Lome Conventions consist of "stabilization of export earnings from agricultural commodities" (STABEX) for agricultural commodities on the one hand and "stabilisation scheme for minerals" (SYSMIN) on the other hand. Both schemes cover an agreed list of

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8/ See «Tropical Products-Issues and Prospects in Uruguay Round,» UNCTAD/ITP/INT/CB.14, November 1988.

9/ See for details «National Resources Base Products in the Uruguay Round» UNCTAD/ITP/INT/CB.10, October 1988.

commodities. These schemes represent a most significant innovation of the EEC-ACP Convention and so far have had tangible pay-off results for the ACP. STABEX in Lomé III extends its product coverage and beneficiary status to exports not specifically destined into the EEC market. Admittedly, STABEX has helped to ensure a greater degree of predictability in the areas of financial resources flows as a compensation mechanism for export shortfall for major commodities of export interest to Africa.

26. However, while STABEX represents a constructive change in Euro African trade relations, ACP countries have been disappointed with some of its elements because the mineral products are not facilitated to go much beyond very limited form of processing. In other words, the scheme does not give the needed propping for value added. There is also the worry that the criteria for selection of products and the categories established are both rather arbitrary. Furthermore the dependency thresholds set in the case of STABEX has led to reductions in terms of derived benefits. Another disappointing area concerns the way the EEC administers certain elements of the scheme, especially the delays in making the disbursements. Over and above, determination of whether claims submitted by ACP states are accepted or rejected rests solely in the hands of the EEC Commissioner with very little consultations with ACP governments.

27. Empirical evidence shows that efforts to adequately compensate the commodity dependent countries are difficult. Basically because of the movement of international price competitiveness that more often than not, tend to be unrelated to changes in fundamental factors of trade, including productive trends. The testimony of inadequacy of the current efforts is in the argument made by the LDC in favour of creating an additional mechanism specially addressed to resolving problems of stabilization of export earning shortfalls. Consequently other forums like UNCTAD continue to examine these issues and to make suggestions for the establishment of an additional compensatory financing facility 10/

28. The most startling paradox of these schemes lies in the fact that the commodity crisis has worsened despite some of these mechanisms. Discussions are under way for STABEX to direct its attention to agricultural development of ACP countries with a view to facilitating food self sufficiency among other issues. Particularly since food self-sufficiency is a prerequisite and an immediate objective in the process of both industrialization and diversification. Support from industry to agricultural and mineral development are to diversify away from merely exporting primary commodities.

III. TRANSFER OF TECHNOLOGY IN FOOD PROCESSING

29. The preceding paragraphs suggest that a solution to the current commodity crisis has to go beyond the mere maintaining of remunerative prices for african commodities. The long term developmental objectives require that industrialization and trade diversification should go hand in hand. However, trade diversification required in Africa will, to a large extent, depend on effective industrial development policies of the individual African countries and the

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10/ See "Additional Compensatory Financing Facility", Report of Expert Group, UNCTAD, TD/B/1029, 1985.

linkages established with other sectors in their respective economies as part of the whole process of structural adjustment.

30. In a study by the United Nations Industrial Development Organization (UNIDO) it is stated that Africa spent about US$11 billion on food imports and other industrial raw material inputs in 1982. On a further examination of these products, it was established that most of the inputs could have been obtained from within Africa if only the African region itself had been able to have achieved a minimum level of industrial capacity. Needless to say, it is the same absence that has contributed to the current external indebtedness. Granted, the inflow of food from abroad, though very important in bridging the hunger gap, is incapable of bringing about lasting solutions to Africa's food crisis caused in part by poor agricultural development policies and natural causes like draught. On the contrary, excessive dependence on external food, simply heightens the food crisis.

31. Empirical evidence indicates that an efficient agricultural sector with higher food production and processing is essential in order to feed the rapidly increasing populations. Linking agricultural and industrial development, where it has been done, has proved to be the most effective solution to dealing with many of the problems that Africa faces today. It is therefore necessary to foster industrial development by acquiring and using appropriate technology. The question of transfer of technology, is very necessary for Africa's food processing as well as in sustaining the overall industrial development process.

(a) The African experience

32. Industrial development including transfer of technology in Africa are historically or colonially intertwined with the continent's trade and investment relations vis-a-vis the countries of Europe. The percentage share of the United Kingdom in the overall technology transfer associated with direct investment in its former colonies in 1970 was estimated at 88 per cent in the Gambia, 93 per cent in Malawi, 97 per cent in Swaziland, 80 per cent in Zambia, 79 per cent in Kenya, 84 per cent in Sierra Leone, 59 per cent in Ghana, 53 per cent in Nigeria, 47 per cent in Tanzania, 48 per cent in Uganda, 75 per cent in Sudan and 60 per cent in Lesotho. The picture for the francophone African countries in the case of France and its former colonies for the same year was noted to be about 73 per cent in Gabon, 80 per cent in Côte d'Ivoire, 87 per cent in Senegal, 75 per cent in Cameroon, 69 per cent in Guinea, 83 per cent in the Congo, 76 per cent in Madagascar, 57 per cent in Togo, 92 per cent in Central African Republic (CAR), 92 per cent in Niger, 80 per cent in Chad, 77 per cent in Mali and 75 per cent in Burkina Faso. 11/ Similarly, Belgium had a very high share of foreign investment in Zaire, Rwanda and Burundi, its former colonies.

33. The involvement of foreign private investors in processing is partly motivated by a desire to take advantage of Africa's abundant raw materials, including ensuring a captive market for the exports of the former. The trend has therefore been to lay emphasis on producing and processing export oriented

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11/ United Nations, Multinational Corporations in World Development, New York, 1973, P.182.

cash crops such as tea, cocoa coffee, cotton, palm oil, sugar and rubber. Food processing industries on the other hand, have been confined to staple-oriented items like dairy, meat and creal products. Food processing is of vital importance to Africa not only because of the need to ensure a constant supply of basic food requirements of the population, but also because of its direct impact on the agricultural production, rural development, employment creation, industrialization and international trade of commodity dependent Africa.

34. Needless to say, food processing is highly complex with a wide variety of branches. There are various types of industrial inputs required at each stage of processing. Industrial development on the other hand, provides the required equipment for food processing, preservatives, distribution and storage. Furthermore, the sector has positive backward linkages with agricultural production and delivery of raw materials. Linkages also exist with marketing and distribution of the processed foods themselves. It is therefore imperative to ensure that transfer of technology in this sector is integrated with activities which ensure sustainable linkages.

35. Import substitution led industrialization focusing on food processing throughout Africa is a direct policy of accelerating Africa's industrialization process and is based on the transformation of primary products to meet consumer food needs, generating employment, conserving scarce foreign exchange reserves. Perhaps another important fact was that import substitution processing was viewed as a way and means of giving African countries the opportunity to acquire necessary skills and experiences in production and marketing. For a variety of reasons, experience shows that it has not proceeded as expected. In fact it became increasingly less effective as a motivating force for industrial growth. Perhaps because little attention was given to what was to become when industrialization had been able to fully satisfy the originally intended domestic markets. In other words, it does not seem that much thought was given to what to do with the resulting surplus. The fact that there have been no such surpluses at the material time is besides the point since this is due to bad management. Hence, the absence of long range planning in the development of processing plants and the lack of backward and forward linkages has to be corrected, taking into account needed ancillary facilities. Many of Africa's under-utilized, non-integrated agro-based processing industries ought to form a basis for priming this sector.

(b) The role of transnational corporations (TNCs)

36. The massive resource flows and investment by external consumers of Africa's raw materials in the developed industrialized countries, especially their transnational corporations (TNCs) is the next issue to be examined. TNCs in Africa seem to have concentrated their involvement in export-oriented food processing in order to substitute imported food stuffs. The greatest number of these corporations, about 20 each are either based in the USA or UK. The ones based in the Netherlands, Japan and France are estimated to number about 5 in each of these countries while Canada is listed as accounting for only one. A study by the United Nations Centre on TNCs established that of the two hundred and fifty leading TNCs involved in food processing outside centrally planned economies in 1984, about 60 (24 per cent) had affiliates in Africa.12/

12/ See ECA, Transnational corporations in agricultural food processing industries of selected countries, E/ECA/UNCTC/25, p.6.

37. The activities of TNCs in the food processing subsector are extremely wide. Data assembled in the above study estimated that between them these corporations own and/or control wholly or partially, about two hundred and thirty affiliates in five subsectors of the food processing industry in Africa. The average number per subsector is 6.8 TNCs ranging from one corporation in winery to twelve in beer and malt for liquor. Admittedly, their activities have played an important role in expanding food processing industries in Africa with the result that it has become one of Africa's principal industrial activity, apart from accounting for a large share of the employed industrial labour force.

38. Since TNCs operate on a commercial basis, it is not wrong to assume that maximization of profits of invested capital is one of their ultimate objectives. They also use processing technology that takes the fullest advantage of the economies of scale. In other words, their operations do not primarily aim at meeting developmental objectives of the host countries, even though they may ultimately contribute to this. However, it is this inability to directly address the primary national development objectives and the difficulties faced by the TNCs to allow for greater transparency of their activities that creates problems in assessing their role in the host countries.

39. The subsidiaries are also inherently concerned with global optimization of their parent firms' growth and profits. Similarly, their production techniques are developed for high output and biased towards capital-intensive technology. The choice of techniques really underlies TNC's capital intensity. Consequently, TNCs tend to ignore better use of abundant labour force. For instance when the processing technology is used it creates a massive army of unemployed persons. For example processing of agricultural products in Kenya, a sector with the highest concentration of TNCs which in 1977 employed 260,300 peoples dropped to 231,400 in 1980; to 231,100 in 1983 and rose to 248,400 in 1986. 13/ Employment figures in sugar processing in Mauritius dropped from 65,300 in 1977 to 58,000 in 1980 and to 52,000 in 1986. 14/ Malawi was perhaps the only exception where employment in the sugar processing industry had increased over time. However the same could not be said for Swaziland where employment figures dropped from 7,400 in 1977 to 4,900 in 1985. Needless to say, there might have been other factors responsible for the declines but the point remains that the use of sophisticated machinery was one of the major factors.

40. One other characteristic of TNCs is that they import virtually all machineries, skilled labour and material inputs with the end result that they generate excessive financial outflow through purchases of specialized machineries and inputs, payment of royalties and licences. It has been established that on balance, the outflow of financial resources has been greater than inflow of investment. A trend which has aggravated the balance of payment situation in the recipient countries. Therefore, one of the constraints of TNCs as agents of

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13/ See ILO, Year Book of Labour Statistics, Geneva, 1987, p.340.

14/ Op.cit, p. 342.

technology transfer in Africa has been associated with the large financial outflows. Experience reveals that shifts in the location of plants to within African boundaries signifies only a geographical relocation since inputs continue to be foreign. The role of TNCs in food processing signifies only a shift in the location of manufacturing plants that does not eliminate the perpetuation of African dependence on their technology. They operate in such a way as to ensure that terms of trade go against African products by producing substitutes to African products in their home countries.

41. Analysis of TNCs' involvement in processing reveals other dark sides. Not least of these are that they concentrate in simple processing and that the manner the transfer of technology is carried out serves as an impediment to local sector linkages. By importing virtually all inputs, TNCs monopolise the use of sophisticated technology, while the rural sector continues to use antiquated techniques in production. This creates an enclave with the economies completely unintegrated with the rest of the economy, but totally integrated into the marketing and production structures of the TNCs' own home countries.

(c) Africa within the technical co-operation arrangements

42. The concept of technical co-operation between developing countries (TCDC) is based on the desire to attain collective self-reliance. At the end of the United Nations Conference on Technical Co-operation among Developing countries in 1978, the meeting adopted the Buenos Aires Plan of Action for Promoting TCDC, urging the international community to render assistance to governments of developing countries in initiating, inter alia, joint programmes that were envisaged by interregional organizations or at inter-regional levels by two or more entities belonging to different regions. 15/

43. Pursuant to the exhortation of the Conferences on Economic and Technical Co-operation among Developing Countries, held under the auspices of the G77, concretization of technical co-operation among developing countries has been gathering momentum. For instance, technical co-operation agreements in early 1977 existed only between few Latin American and Caribbean countries on the one hand and the Central and West African States on the other. In particular, Brazil which rendered technical assistance to Gabon in agro-economic research for cocoa and soya beans development. Cuba was also involved in developing the large scale sugar plantations and technical management of sugar mills in Mozambique.

44. Transfer of technology ought to be visible within the ECDC framework through existing arrangements or through new arrangements as appropriate, especially against some already existing bilateral, technical and economic co operation agreements between Latin American and Asian countries on the one hand, and Africa on the other. This could include such other areas as manpower development utilization and other sectors where the transfer of technology has the greatest challenge. It is important here to indicate that the economies of most African countries are at the levels where they require the kind of technological know-how which other developing countries have only recently passed through.

15/ See The Buenos Aires Plan of Action, p.51.

In particular, since the latter are familiar with problems of setting up small processing plants that are labour intensive and permit access to technical know-how. Easier terms of transfer of technology could henceforth be negotiated within the ECDC and TCDC framework.

45. To a large extent, the transfer of technology among developing countries has been in the form of project package sales through licencing agreements, management contracts, joint ventures and direct investment. Within these frameworks, easier terms of transfer of technology are applied among developing countries. For example, Indian exports of machinery and other inputs destined for cotton processing are offered preferential import duty rates in certain East African countries. In turn, importing East African countries make part payment to India for such technology in kind (cotton materials and cashew nuts). 16/

46. The capacity to produce agricultural tools, machinery and equipment for processing is a basic precondition for technological transfer and development. The central issue facing Africa is the extent to which at least spare parts and hand tools can be produced locally to save foreign exchange. Towards this goal, in some countries, production by local industries is taking place with the assistance of firms of other developing countries. The Brazilian firms, for example are supporting some members of the Southern African Development Co-ordination Conference (SADCC) in their projects for production of agricultural machinery, equipments and hand tools. 17/

47. The characteristic feature of technical co-operation among developing countries is the capability of these countries' enterprises to trade in a number of technologies embodied in capital goods inputs, technical services such as consultancy, design, engineering and skills. This is particularly significant in small scale industries that process oil seeds, cocoa, and soya beans development, including large scale sugar plantations and management. 18/ The establishment of joint-ventures is emerging as a significant phenomenon in intra-developing country technology transfer. The experience by Brazil, India, Korea and other Third World countries in internationalizing their know-how is largely due to their adaptive ability and technological mastery gained at home in working with imported technologies.

48. These examples are sufficiently illustrative of the beginnings of important ties that exist among developing countries. They can be strengthened and intensified with a view to enhancing technology transfer in food processing on easier and affordable terms. For example, within the Global System of Trade Preferences among Developing Countries (GSTP), the transfer of technology can be sought as a package deal. Technology that can be obtained from other developing countries is much more attractive not only because of its appropriateness but also because it can be assumed to be cheaper and tropicalized.

16/ For details see UNCTAD doc. TD/B/C.118, 22 October 1984, p.11

17/ See Amin, Deirick Chicala and Ibbo Mandaza, SADCC Prospects for Disengagement and Development in Southern Africa, UN University, Third Ed., 1987, p. 140.

18/ See TD/B/C.118 UNCTAD 22 October 1984, p.11

(d) Review of likely options

49. As pointed out, earlier most of the leading firms, mainly TNCs in the food processing sector follow growth strategies that involve broad diversification. In other words, they incorporate activities into the firm that are remotely or not at all related to food processing. For instance diversifying out of food processing into other lines of business unrelated to food by manufacturing toys. Others diversify into food processing from other initial business operations. A number of commodity exporting companies, like tobacco monopolies have integrated upstream processing when their tobacco markets appeared threatened. Some leading pharmaceutical and toiletry manufacturers have been known to expand their production lines into food processing. It is therefore possible to encourage diversification not only in favour of commodities but into other processing likely to lead to wider industrialization in the African countries.

50. The history of technology transfer vindicates technology as a preserve of private companies and that its direction is determined by investment decisions. However, there is a likelihood that the transfer of technology could be negotiated with the governments of developed countries, particularly the principal end-users of Africa's current primary products on the one hand and African governments on the other. The terms on which the transfer could take place would probably be based on linking certain rights over the exploitation of natural resources vested in the African host countries. This approach would lend support to the hypothesis that investment in developing countries is more likely to come from firms already involved in the country concerned than new investment. There is no denial that most developed countries and their transnational corporations would be prepared to make technology available at an agreed negotiated price.

51. Understandably, Africa views the non-cash aspects of compensation for transfer of technology as an attempt to continue the old domination under new guise. Unfortunately, Africa has little option but to either continue with the current crisis or make new moves towards acquisition of technology. Time has come both for developing and developed countries alike to build bridges of trust. Both have much to gain from such an exchange. Any concessional transfer of technology at non-cash terms could be a profitable investment in terms of access to developing countries' markets that keep on growing for consumption of both new technology and industrial products.

52. Acquisition of technology for processing, especially laying a basis for industrialization is a task which, while it has its difficulties, should not be beyond the ability of mineral rich African countries. Particularly because Africa is both in a hurry and under pressure to diversify its trade patterns. Technological advancement attained by others over centuries may have to be compressed into a few decades. To attain this objective, Africa requires to rally on international and inter-regional support as was spelt out in the UN-PAAERD. Nonetheless, important efforts need to be made at national levels where diffusion, development, adaptation and replicating technology is expected to be geared to conditions of each individual country.

53. Most African countries persue a laissez-faire policy in regard to importing technology by allowing investors free choice of technology supplied, its origin as well as terms and conditions of acquisition. This practice, has added

considerably to the inappropriateness of some of the technology transferred into Africa. It is therefore essential that African countries evolve mechanisms regarding the import of technology, including vetting packages of technical assistance.

54. Given the wide diversity of sources of technology, it may be appropriate that governments establish autonomous bodies that could act as their technical arms to oversee all imported technology. Such bodies would serve a supervisory role over multidisciplinary research and development institutions, but closely linked to ministries of industry, science and technology as the case in Nigeria where the Raw Materials and Development Centre (RMDC) has been set up as its name implies. These institutions can be expected to perform the following functions:

(i) Streamline the diversity and inappropriateness of imported technology;

(ii) Asses components of technology of individual projects presented for financing;

(iii) Collect, analyse, evaluate all the information regarding transfer of technology and investment contracts for the purpose of establishing policies and measures to be adopted and used during negotiations on transfer of technology;

(iv) Make decisions as to what technology to import, what sources and on what terms;

(v) Assist local promoters of technical transfer in negotiations with foreign technology suppliers;

(vi) Advise the government on national policies regarding transfer of technology.

IV. POSSIBLE MECHANISMS FOR TRADE CREATION AND DIVERSION THROUGH PROCESSING

(a) A brief general overview

55. Diversification of Africa's commodity base is for the purpose of overcoming constraints which have prevented the sector from playing its assumed role. From what is stated above, a long term solution to diversification of Africa's commodity trade goes beyond the question of prices and earnings stabilization. These two elements are clearly indispensable in the short run. However, on their own they are not able to guarantee lasting solutions since both rely and are influenced by events that come about through structural adjustment. The situation at least for Africa is complicated by such other factors as those which indicates that most commodity markets in the short run will remain in excess supply, with ample stocks to prevent prices from rising. Similarly not even moderate output shortfalls or modest demand increases can be expected to bring about any major changes. The long run thrust of technological changes in the end-using industries indicate a down ward trend in the use of natural resource based inputs. Furthermore, the relatively low income elasticity of demand for primary commodities vis-a-vis other goods and services is also likely to continue to reduce their share in total output. It is possible therefore to assume that even better or improved terms of trade could turn against primary commodity exporters.

56. A number of options suggested include those contained in UNCTAD resolution 124(V) on the Integrated Programme for Commodities (IPC). In particular, stressing the redeployment of productive capacities for commodity processing industries to developing countries; improvement of competitiveness of natural products that compete with synthetics liberalization of market access in the developed countries for,primary,processed and semi-processed products from developing countries; and provision of adequate financial resources for expanding commodity processing in the developing countries. However, success of putting these options into effect depends largely on policies and mechanisms to be adopted by the individual countries.

(b) Problems of trade creation and diversion

57. There are numerous obstacles to trade creation and diversification from in Africa's stand point. Not least of these is the region's rigid commodity composition, which as briefly described above as not easily adaptable to new changes. Other aspects are contributed by the transportation systems, the difficulty of choice of products for processing, tariffs and non-tariff barriers, lack of marketing and trade information, to mention but a few. There is no longer any, disagreement that any improvements Africa's position in the world economy particularly international trade will depend on the ability of countries to effectively deal with problems relating to the transfer of vibrant technology in order to provide a basis for processing.

58. In many instances, national industrial and investment policies have been responsible for inappropriate and ineffective acquisition of wrong technology. This has had the effect of non creation of exportable products, production of products whose export market is either contracting,or whose production costs are relatively higher than those of competing suppliers. However, there have been instances where some African countries have had appreciable advancement in the processing sector. Malawi's industrial sector is one such example. The main industrial sector at independence consisted of tobacco and tea processing. It has since expanded and diversified to a remarkable degree into a variety of import substituting and food processing activities. Malawi's exports include non-traditional products that now reach many new markets.

59. Similar other important success stories of diversification that have also led to trade creation, according to World Bank reports include Senegal's export oriented industries based on groundnut processing, phosphate mining and fish processing. 19/ Most of the fish and groundnut cake are exported to the Western countries' markets while groundnuts and the bulk of its products are mostly consumed locally or exported to neighbouring countries. The increase in the volume or amount of fish exported is due to substantial increased world consumption of fish products in recent years and is good for countries with fish production potential. According to FAO fish production potential in developing Africa is estimated to be about 10 million tons a year. 20/

60. Indications of the capacity to export certain manufactures is provided by the ability of countries that have developed sustainable export trade mechanisms

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19/ World Bank, Senegal: Country Economic Memorandum, 5 November 1984.

20/ See ECA, Survey of Economic and Social Conditions in Africa, E/ECA/CM.13, 17 February 1987.

To a considerable extent, their trade has been confined to the traditional markets as in the case with the EEC through the Lome Conventions. However, some other exports (cotton fabrics and yarn, footwear, manufactured wood, inorganic chemicals, cement, to mention but a few) have began to develop beyond the EEC and into markets where no preferences are enjoyed. This in itself is not a solid foundation for any conclusion, except that it indicates possibilities that some countries have achieved competitiveness in this range of products as can be seen from Table 6.

61. A number of advantages can be derived by expanding processing of domestically available products in terms of both trade creation and diversion. One of the advantages is the possibility of reducing price and earning fluctuations that bedevil many primary commodity exporting countries. Processed products do not suffer the export price fluctuations to the same degree as do raw materials. However, this varies from product to product. Nonetheless, available statistics confirm that real prices of processed products, in particular food products have been rising in the international markets.

62. Essential elements of diversifying trade from raw material exports to manufactured products will depend on and result in radical changes in industrial structure. Development of proper production base is bound to yield opportunities through supply of inputs for other firms and also establish forward linkages to new industries whether local, subregional or regional in nature. There is therefore a pressing need for Africa to develop a proper production base with a view to diversifying both country and product composition of their trade. The solution to problems of trade creation and diversion is likely to come about through upgrading and strengthening respective industries engaged in import substitution, especially if they can also be enabled to generate sufficient exportable supply and surpluses.

63. The overall approach will certainly call for a rationalized rehabilitation of agricultural production as well as agro-industrial capacities. African countries will have to optimize their trade potential apart from the export of primary products by exploiting to the fullest, their potential as manufacturers and exporters of processed and semi-processed products. In this respect, greater use will have to be made of the existing arrangements or within new perspectives. There is need therefore to mobilize necessary means for implementing the Special Programme of Action for the Improvement of the Food Situation and Rehabilitation of Agriculture in Africa. It is imperative at least in the short-run to improve production patterns geared to penetrating new non-traditional markets, particularly African and those of other developing countries.

(c) Intra- and interregional trade

64. The studies carried out show that a significant potential exists for intra-African and inter-regional trade in processed food products. Studies carried out by the Secretariat of the Economic Commission for Africa in which the potential for intra-African trade has been analysed, give some clue to the magnitude and content of possibilities of exchanges. It is shown that the average annual imports of major food items during the period 1970 to 1985 has increased tremendously for a number of African countries. Despite the fact that imports of specific food items vary from country to country, the trends are obviously increasing. Even for those countries where food self-sufficiency is attained, some demands are satisfied through imports. At the same time Africa shows great export potential of processed food stuff. This is confirmed by the ever

increasing exports of food stuffs from countries such as Kenya, Cote d'Ivoire, Egypt, Ethiopia and Cameroon. Kenya alone exports about 37 per cent of milk products of total Africa's milk product exports. At the same time, there is an increasing number of countries that import milk products in Africa. Among them we can cite, Nigeria, Cote D'Ivoire, Libyan Arab Jamahiriya Tunisia, Angola, Zaire, Gabon whose imports come from outside sources. Available information shows that intra-African exchanges also take place based on commercial products such as coffee, cocoa, tea and many others. For example, Morocco imports substantial amounts of coffee from Uganda, Cote d'Ivoire, Cameroon. Kenya exports coffee to Somalia, while Ethiopia supplies Djibouti with coffee valued at more than US$100 million annually. Intra-African trade in cocoa products also shows increasing potential that is well distributed throughout the continent. Cote d'Ivoire exports cocoa products to Morocco, Chad, Nigeria, Congo and Gabon. Kenya imports cocoa from Ghana. Much of the cocoa products that enter African markets come from West African sources. These figures prove that trade in food products offers an important area in which intra-African trade can be strengthened.

65. In the light of the research work carried out by the ECA Secretariat, in particular, analysis of products submitted for the GSTP negotiations, there is a broad picture of interregional trade potential that exists in processed food stuffs. For example, Cameroon has a variety of cocoa products which include cocoa paste and cocoa butter with demands in Bangladesh, Morocco, Kenya, Senegal, and Ghana. Also Cameroon's and Benin's exports of cocoa beans have demands in Singapore, Philippines, Peru, Yugoslavia, Indonesia, Argentina, Columbia, Egypt and Korea. Palm kernel oil and palm oil are products of export interest to Cameroon and Benin which can find markets in India, Pakistan, Korea, Jordan, Thailand, Singapore and many others. Many products of export interest to Africa that fail to gain access to the markets of EEC have markets in the G77 countries through GSTP negotiations.

66. Special measures in favour of intra and interregional trade must be undertaken with a view to solving problems of trade diversion to enhance and improve efforts of member States. Such measures may include, inter alia, monetary and financial co-operation, co-operation in insurance and reinsurance, co-operation among State Trading Organizations.

67. It is important to state that the absence of bilateral, subregional, regional and inter-regional frameworks impede entrepreneurs in Africa, Latin America and Asia from readily undertaking business with one another. Few, if any, African, Latin American or Asian banks have established correspondent relations for credit facilities with each other to help pave the way for increased trade flows between the regions. Similarly, payments agreements and clearing house arrangements between the region's banks are virtually non-existent. While the Latin American Integration Association (ALADI) provides its members with singular payment system, African countries involved in trade with Latin America do not belong to any one common payment system.

68. Availability of export credit insurance is vital to any sustained export drive. It is especially difficult for developing countries' exporters to explore new avenues of production and new markets in the absence of an insurance scheme

minimizing the risks for export ventures. There is need to surmount these and other barriers to trade diversion. Countries of Africa, Latin America and the Middle East share a lot of mutual interest and there is hope that a new outlook in trade through GSTP will be strengthened.

V. CONCLUSIONS AND RECOMMENDATIONS

69. Required mechanisms to bring about the desired objectives will need to be taken at various levels either individually or simultaneously or both. Many of the conclusions and recommendations or courses of action to be taken have been highlighted in each of the preceding chapters. However, it is important to stress that prospects for diversifying trade in Africa are fraught with the unusual problems. Some arise from a number of constraints that obstruct expansion of production and therefore reduce prospects of increasing the exportable supply base.

70. In the first place, creation and diversion of trade points to the restructuring of the economic base itself. The rigidity of the economic structures that is mainly characterized by increasing dependence on exports of primary commodities, has inhibited the African countries from taking advantage of opportunities offered by international trade. It has further resulted in catastrophic crisis of balance of payments, indebtedness crisis, food crisis, chronic rural stagnation to mention but a few. It is therefore quite important to ensure that whatever mechanisms are put in place they should address these very many issues. They should be such that the commodity export composition is widened and sustained over a very long period.

71. The importance of technology both for diversifying trade and industrialization implies that mechanisms have to take this into account. Yet Africa's experience in the transfer of technology has been rather disappointing. In addition to the adverse effects it has had on the economies of many African countries, it has also failed to lay the required basis for industrialization, thus making it difficult for these economies to achieve trade creation and diversion. Transfer of technology has concentrated on basic processing and therefore failed to infuse capability which would have built a foundation for self-sustained growth and development. Consequently, some of the mechanisms should aim at transferring benefits derived from international co-operation in negotiating the transfer of technology to African countries. Mechanisms will also need to be established to enable the African countries to barter some of their natural resources in return for technology to enable these resources to be exploited in co-operation with foreign interests or firms. However, the African countries will be required to provide for the protection of such investment.

72. Policy options and mechanisms intended to diversify commodity trade predicated on processing and industrialization in Africa are inseparable with the impact of domestic policies. In the light of the foregoing analysis;

(a) the formulation of such policies should take into account other policy aspects which can facilitate implementation and the attainment of the objectives themselves,

(b) to promote agro-industry the following inter-related activities should be given priority: (i) production of cash crops in the agricultural sector should not neglect food production; (ii) appropriate exchange rates should be set after having assessed the trade costs of imported technologies; (iii) protective tax structures that sustain inefficient investment should be avoided; (iv) control of imports that discourage local production should be selectively introduced where appropriate, with a view to ensuring a more balanced growth;

(c) in order to promote food self-sufficiency, African countries should enhance domestic production through (i) providing incentives, such as subsidization of inputs; (ii) setting minimum prices for at least, selected required industrial inputs;

(d) to promote exports: (i) trade promotion agencies should also take an interest in the supply of products and processing technologies; (ii) the use of multiple exchange rate for resource transfer should be carefully considered; (iii) other export incentives, especially export subsidies, should be selectively employed over a given period only to infant industries and not for all time;

(e) it is imperative for both policies and mechanisms in this area to be formulated in such a way as to increase the participation of the private sector. Consequently, there is need to: (i) create a conducive atmosphere in which their contribution is fully recognized; (ii) relax direct and indirect state intervention; (iii) provide incentives that make long-term investment by both nationals and non-nationals attractive; and (iv) mobilize active involvement of sectors of the economy such as women, the youth and refugees to optimize their contribution.

ANNEX I

Table 1

Africa's Trade Structure 1980-86

(per cent)

Commodity classes	Exports				Imports			
	1980	1984	1985	1986	1980	1984	1985	1986
Food, beverages and tobacco	8.9	12.4	12.7	12.7	14.3	17.1	16.5	16.9
Oils, fats and other crude meterials excluding fuels	7.3	7.0	6.3	6.7	4.2	5.2	5.7	5.2
Mineral fuels and related materials	75.6	68.7	71.0	57.1	9.2	9.4	10.0	9.2
Chemicals	0.8	2.0	1.9	3.8	7.9	7.6	8.7	9.3
Machinery and Transport equipment	0.4	0.7	0.6	1.1	37.4	36.8	34.7	35.5
Other manufactured goods	6.0	8.6	8.7	10.6	26.9	23.9	24.4	25.3
Total, all commodities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: 1980 Calculations based on data from the United Nations Statistical Office Monthly Bulletin of Statistics, Vol. XLII, No.5, May 1988.

Table 2

Developing Africa in World Trade

(in billion US dollars)

	1985	1986	1987	1988 a/
World				
Imports	3035.3	2213.3	2575.5	2987.9
Exports	1929.6	2114.2	2480.0	2909.0
Developing Africa				
Imports	61.7	62.1	65.6	69.2
Exports	50.4	49.2	52.2	55.6
Share of Developing Africa in World Trade (%)				
Imports	2.0	2.8	2.5	2.3
Exports	2.6	2.3	2.1	1.9

Source: UN Monthly Bulletin of Statistics, Vol. XLII, No. 8, August 1988 and UNCTAD calculations.

a/ Preliminary estimates

Table 3

Developing Africa's Direction of Trade

(per cent)

	Exports		Imports	
	1986	1987	1986	1987
Developed Market Economies	77.9	81.0	73.1	74.3
- EEC	58.1	58.2	52.7	52.6
- USA	13.1	16.7	7.1	6.7
- Japan	2.0	2.2	4.8	6.0
Centrally Planned Economies	5.8	5.3	7.5	6.8
- USSR	1.3	1.2	2.3	2.5
- Others	4.4	4.0	5.3	4.3
Developing Countries	14.8	12.8	19.4	18.9
- Africa	6.0	4.8	4.8	4.1
- America	3.0	2.8	2.4	1.9
- Asia	4.7	4.2	11.2	11.5
Not specified	1.5	0.9	0.0	0.0

Source: TDFD calculations based on data from the United Nations Statistical Office, Monthly Bulletin of Statistics, Vol. XLII, No. 6, June 1988.

Table 4

Developing Africa's Direction of Trade by regions
(per cent)

		Exports		Imports	
		1986	1987	1986	1987
I.	Developed Market Economies, total	100.0	100.0	100.0	100.0
	of which:				
	- EEC	74.7	71.9	72.2	70.8
	- USA	16.9	20.6	9.7	9.1
	- Japan	2.6	2.7	6.6	8.1
II.	Centrally Planned Economies, total	100.0	100.0	100.0	100.0
	of which:				
	- USSR	23.1	23.3	30.0	36.6
	- Others	76.9	76.7	70.0	63.4
III.	Developing Countries, total	100.0	100.0	100.0	100.0
	of which:				
	- Africa	40.6	37.4	24.8	21.4
	- America	20.0	22.1	12.6	10.1
	- Asia	31.4	33.00	57.6	61.4

Source: Same as table 7.

Table 5

Prices of main non-fuel primary commodities exported by Sub-Saharan Africa 1981-1986 (1980=100)

Commodity	1981	1982	1983	1984	1985	1986	1987
Cocoa	80	67	80	92	85	78	74
Coffee	70	76.0	84.0	94	80.0	101	80
Copper	80	68	73	63	65	63	82
Cotton	90	77	90	86	64	51	80
Phosphate rock	106	91	79	82	73	74	68
Sugar	86	82	80	73	73	84	95
Tea	91	87	104	155	89	97	77
Tobacco	113	128	130	130	130	115	110

Source: (i) IMF International Financial Statistics, October 1986
(ii) IMF International Financial Statistics, January 1989

Table 6

Developing Africa's Trade in Selected Commodities
(million US dollars)

Commodity	Imports			Exports			Balance of Trade		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Meat, fresh chilled or frozen (C11)	626.3	702.9	659.4	89.8	62.5	72.5	-536.5	-640.4	-586.9
Meat, dried, salted or smoked (012)	8.5	9.0	14.0	0.9	0.8	0.8	-7.6	-8.2	-13.2
Canned meat, nes* and meat preparing (014) of which:	100.9	120.6	128.3	22.0	21.0	20.3	-78.9	-99.6	-108.0
-sausages (014.2)	25.7	25.7	28.0	0.1	0.1	0.1	-25.6	-25.6	-27.9
-meat, prepared (014.9)	75.3	94.7	100.2	21.6	20.4	19.9	-53.7	-74.3	-80.3
Bovine cattle (001.1)	321.4	325.3	303.5	262.0	260.7	271.1	-59.4	-64.6	-32.4
Sheep, lambs and goats (001.2)	140.0	158.3	218.2	223.7	167.7	168.5	83.7	9.4	-49.7
Milk and cream evaporated, condensed (022) dried or fresh	921.0	822.0	866.7	1.1	1.0	1.2	-919.9	-821.0	-865.5
Butter (023)	272.4	280.5	261.2	1.4	1.3	1.2	-271.0	-279.2	-260.0
Cheese and curd (024)	140.9	113.4	144.5	1.4	4.3	4.9	-139.5	-109.1	-139.6
Eggs in shell (025.1)	92.1	56.9	61.9	0.7	0.2	0.2	-91.4	-56.7	-61.7
Cereals (041, 042, 043, 044, 045.1, 045.2, 045.9, 046)	5397.9	4427.8	3795.7	63.8	115.9	179.5	-5334.1	-4311.9	-3616.2
Wheat and wheat flour in wheat equivalent (041 and 046)	3727.9	2992.8	2583.1	3.1	0.5	0.6	-3724.8	-2992.3	-2582.5
Rice (042)	704.7	696.2	639.8	6.7	19.5	41.2	-698.0	-676.7	-598.6
Maize (044)	709.2	565.6	463.2	50.5	87.2	82.3	-658.7	-478.4	-380.9
Pulses (054.2)	157.8	195.0	123.3	33.2	56.9	64.4	-124.6	-138.1	-58.9

* nes = Not elsewhere specified

Table 6 (cont'd)

Commodity	Imports			Exports			Balance of Trade		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Tomatoes, fresh (054.4)	0.8	0.8	1.3	36.5	4.1	66.1	35.7	40.3	64.8
Potatoes (054.1)	89.1	92.0	93.3	43.4	46.1	56.9	-45.7	-46.3	-36.4
Oranges tangerines and clementines (057.1)	4.0	6.2	6.7	258.2	274.6	308.3	254.2	268.4	301.6
Bananas (057.3)	7.1	4.3	2.5	49.6	47.4	54.7	41.9	42.5	52.2
Sugar, total (061.1 and 061.2)	641.2	842.3	813.2	418.7	580.2	691.1	-222.5	-262.3	-122.1
of which refined sugar (061.2)	514.0	686.0	618.8	25.0	37.2	24.4	-488.1	-648.7	-594.5
Coffee green or roasted (071.1)	135.0	197.4	364.3	2541.2	3268.8	1929.5	2345.6	3073.5	1565.7
Cocoa beans (072.1)	9.5	13.4	6.7	1720.5	2059.0	1782.8	1711.0	2045.6	1777.1
Cocoa powder and cake (072.2, 072.31)	5.5	5.7	6.3	57.3	45.0	53.4	51.8	39.3	47.1
Tea (074.1)	349.7	343.0	395.7	369.1	337.1	301.5	19.4	-5.9	-94.2
Beer (112.3)	37.0	53.2	76.0	9.5	15.3	14.1	-27.5	-37.9	-61.9
Tobacco unmanufactured (121)	369.2	375.0	353.8	362.3	421.1	499.3	53.1	46.1	144.5
Cottonseed oil (423.3)	129.0	67.6	54.2	-	-	-	-129.0	-67.6	-54.2
Groundnut oil (423.4)	3.8	11.2	7.8	52.9	58.7	67.2	49.1	47.4	59.4
Sunflower oil (423.5)	246.0	276.1	193.5	1.0	0.3	0.7	-245.0	-275.3	-192.8
Olive oil (423.5)	41.9	54.6	88.1	51.6	68.0	79.3	9.7	13.4	-8.8

Source: ESCD Calculations based on data from FAO, 1987 Trade Yearbook, Rome, 1988.

Table 7

Structure of developing Africa's exports to the developed market economies

(Values in billions of US dollars)

SITC section	1970 1/		1975 1/		1980		1981 1/		1982		1983		1984		1985		[illegible]	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
All commodities (-)	7.7	[illegible]	26512	100.	7 359	[illegible]	61133	100.	53435	100.00	42902	100.00	50	[illegible]	48 23	[illegible]	[illegible]	..
Food, beverages and tobacco (0+1)	[illegible]	4.5	3644	13.75	7047	[illegible]	5238	8.56	5395	10.10	4	12.57	5370	11.90	5439	11.45	..	..
Crude materials (excluding fuels) (2+4)	1	[illegible]	3342	12.6	55	[illegible]	4134	[illegible]	3760	7.02	3	7.77	4	8.15	3627	7.55	..	..
Mineral Fuels and related materials (3)	3	[illegible]	37.7	[illegible] .9	66.08	[illegible]	1604	77.78	4	354	79.	[illegible]	[illegible]	7 15	35475	73.49	37663	69.7	35156	69.8	..	..
Chemicals (5)	75	.21	139	0.53	327	0.41	396	0.63	475	0.89	429	0.85	475	0.93	486	1.01	..	..
Machinery and Transport Equipment (7)	24	0.85	81	.31	231	0.29	145	0.24	153	0.29	162	0.38	174	0.35	204	0.50	..	..
Other manufactured goods (6+8)	1754	17.98	1639	6.1	4387	5.12	2690	4.4	2125	5.31	2392	6.11	2758	5.57	2706	5.04	..	..
Goods not elsewhere specified	1	0.13	46	0.17	450	0.57	133	0.22	113	.25	145	0.30	156	0.30	465	0.34	..	..

Sources: (1) "", Monthly Bulletin of Statistics, [illegible] 1987; (2) "", 1987 International Trade Statistics Year Book,

Symbol used: ... = data not available. 1/ Excludes [illegible] of Zimbabwe